

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT

LAPEER, MICHIGAN

AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2006

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*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 30, 2006

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Lapeer County Intermediate School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Intermediate School District, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lapeer County Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lapeer County Intermediate School District as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 30, 2006 on our consideration of the Lapeer County Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - X, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lapeer County Intermediate School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf, P.C.*

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the Lapeer Intermediate School District's administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

**Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education and Vocational Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**District Wide Financial Statements:** (Continued)

These two statements report the Lapeer Intermediate School District net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services. Property taxes, unrestricted State aid, and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2006 and 2005:

	<u>NET ASSETS SUMMARY</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets	\$7,953,881	\$7,493,325
Non-Current Assets	<u>6,899,855</u>	<u>6,889,541</u>
<u>TOTAL ASSETS</u>	<u>\$14,853,736</u>	<u>\$14,382,866</u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,114,385	\$1,184,931
Long-Term Liabilities	<u>1,543,281</u>	<u>1,768,892</u>
Total Liabilities	\$2,657,666	\$2,953,823
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	5,653,679	5,412,938
Restricted for Debt Service	150,735	145,100
Unrestricted	<u>6,391,656</u>	<u>5,871,005</u>
Total Net Assets	<u>\$12,196,070</u>	<u>\$11,429,043</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$14,853,736</u>	<u>\$14,382,866</u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2006 and 2005, the District wide results of operations were:

	<u>2006</u>	<u>2005</u>
<b><u>REVENUES</u></b>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$366,625	\$366,368
Property Taxes Levied for Special Education Operations	2,011,762	1,932,061
Property Taxes Levied for Vocational Education Operations	4,657,623	4,344,089
Property Taxes Levied for Debt Service	250,569	322,400
State of Michigan Unrestricted Aid	895,285	895,285
Other General Revenues	452,874	543,490
Total General Revenues	<u>\$8,634,738</u>	<u>\$8,403,693</u>
<u>Operating Grants:</u>		
Federal	3,538,127	3,504,015
State of Michigan	1,193,424	1,110,091
Other Grants	441,112	374,603
Total Operating Grants	<u>\$5,172,663</u>	<u>\$4,988,709</u>
<u>Charges for Services:</u>		
General Fund	423,699	449,555
Special Education Fund	251,999	195,173
Vocational Education Fund	81,485	83,349
Cooperative Education Fund	0	11,898
Total Charges for Services	<u>\$757,183</u>	<u>\$739,975</u>
Total Revenues	<u>\$14,564,584</u>	<u>\$14,132,377</u>
<b><u>EXPENSES</u></b>		
Instruction & Instructional Support	4,362,105	4,179,724
Support Services	8,903,583	8,483,583
Community Services	264,913	266,105
Interest on Long-Term Debt	63,683	59,668
Depreciation	203,273	203,274
Total Expenses	<u>\$13,797,557</u>	<u>\$13,192,354</u>
<b><u>INCREASE IN NET ASSETS</u></b>	<u>\$767,027</u>	<u>\$940,023</u>
<b><u>BEGINNING NET ASSETS</u></b>	<u>11,429,043</u>	<u>10,489,020</u>
<b><u>ENDING NET ASSETS</u></b>	<u><u>\$12,196,070</u></u>	<u><u>\$11,429,043</u></u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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## **GOVERNMENT- WIDE FINANCIAL ANALYSIS**

### Analysis of Financial Position:

During the year ended June 30, 2006, the District's Total Net Assets increased by \$767,027 to a total of \$12,196,070. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$240,741 during the year due to purchases of new capital assets and principal payments on related debt exceeded depreciation. The districts Unrestricted Net Assets increased by \$520,651 during the year and the restricted portion of the net assets increased by \$5,635. The restricted Net Assets consist of restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

### Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$767,027. The total revenues increased by \$432,207. The major changes were increased tax dollars and grant funds. Expenditures increased by \$605,203. A major change was the addition of an interactive media program to the list of vocational offerings. A portion of the roof was replaced on our Edtech facility and an air-handling unit was installed to adequately condition the head-end room of the district. New computers were installed in the lab and security cameras and cabling were purchased for the Edtech facility. Several employees changed to Pak A insurance coverage from Pak B. A water filtration system was also installed at the Edtech to bring the water into compliance with the law change.

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

### Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

#### General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$41,165 during the year with the decrease coming primarily from a reduction in cash. Revenues for the year decreased by \$174,258 from prior year, primarily from a decrease in grant funds and local district revenues to support general education services. Expenditures decreased by \$122,885 from the prior year primarily due to staff reduction in the general education department. The major sources of general fund revenues are state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 81)

The State of Michigan aid provided under Section 81 of the State Aid Act provides the majority of state aid to the District's General Fund. Funding to the District under Section 81 is provided to comply with the requirements of the State Aid Act and to provide technical assistance to local districts as authorized by the intermediate school board. Funding under Section 81 was \$832,423 for the fiscal year, the same as prior year.

2. Property Taxes Levied For General Operations (General Fund Homestead and Non-Homestead Taxes)

The District levies .1880 mills of property taxes for operations (General Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2005-2006 fiscal year was \$464,289. An increase of \$18,361 from the prior year.



LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

Special Education Fund

Unreserved fund balance for the special education fund increased by \$583,160 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$375,944 from the prior year primarily due to tax, investment, Medicaid and grant revenue. Expenditures and other financing uses increased by \$291,136 from the prior year, primarily due to an increase in Medicaid and grant dollars flowed out to local districts and an increase in the overhead transfer to the general fund. The major sources of special education revenues are Federal grants, state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 51)

The State of Michigan aid provided under Section 51 of the State Aid Act provides the majority of state aid to the District's Special Education Fund. Funding to the District under Section 51 is provided to reimburse the District for unreimbursed costs of special education programs, services and special education personnel. Funding under Section 51 was \$639,711 for the fiscal year an increase of \$16,917 from the previous year.

2. Property Taxes Levied For Special Education

The District levies .8371 mills of property taxes for operations (Special Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2005-2006 fiscal year was \$2,066,967. An increase of \$91,151 from the prior year.

Vocational Education Fund

Unreserved fund balance for the vocational education fund increased by \$71,766 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$385,970 from the prior year primarily due to an increase in tax, investment and state aid revenue. Expenditures increased by \$239,030 primarily due to the Interactive Media Program that was added to the Vocational offerings and an increase in the overhead transfer to the general fund. The major sources of vocational education revenues are taxes and state aid. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Sections 61 and 62)

The State of Michigan aid provided under Sections 61 and 62 of the State Aid Act provides the majority of state aid to the District's Vocational Education Fund. Funding to the District under Sections 61 and 62 is provided to reimburse, on an added cost basis, the District for unreimbursed costs of its vocational-technical education center and vocational-technical programs and services. Funding under Sections 61 and 62 was \$258,007 for the fiscal year a increase of \$47,860 from the previous year.

2. Property Taxes Levied For Vocational Education

The District levies 1.9258 mills of property taxes for operations (Vocational Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2005-2006 fiscal year was \$4,755,290. An increase of \$333,642 from the prior year.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$2,880,839	\$3,002,753	\$2,840,863	4.23	5.39
Expenditures	3,281,977	3,104,960	2,882,028	5.39	7.18
<b><u>TOTAL</u></b>	<b><u>(\$401,138)</u></b>	<b><u>(\$102,207)</u></b>	<b><u>(\$41,165)</u></b>		

**SPECIAL EDUCATION FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$6,034,364	\$6,559,687	\$6,584,843	8.71	0.38
Expenditures	5,805,785	6,195,485	6,001,683	6.71	3.13
<b><u>TOTAL</u></b>	<b><u>\$228,579</u></b>	<b><u>\$364,202</u></b>	<b><u>\$583,160</u></b>		

**VOCATIONAL EDUCATION FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenue	\$5,024,093	\$5,175,336	\$5,303,591	3.01	2.48
Expenditures	5,319,079	5,545,691	5,231,825	4.26	5.66
<b><u>TOTAL</u></b>	<b><u>(\$294,986)</u></b>	<b><u>(\$370,355)</u></b>	<b><u>\$71,766</u></b>		

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Lapeer Intermediate School District amends its budget during the school year. The June, 2006 budget amendment was the final budget for the fiscal year. Significant budget variations were as follows:

Original Budget vs. Final Budget

General Fund

Revenues

Grants and State categorical funds account for approximately \$1.3 million in the general fund budget. The actual figures for the grants are not approved by the State of Michigan until after the initial budget is completed, therefore both grant revenues and expenditures were estimated in the initial budget. The overhead transfer was also adjusted in the final budget after the board reviewed the prior year actual computations.

Expenditures

Wages were adjusted due to the timing and wage level of new hires. Decreases were made to purchased services for data since the current year costs were less than anticipated for software alterations to comply with the State requirements. The human resource department costs and pupil accounting costs were moved from the general administration function to the support services function to align with the state chart of accounts.

Special Education Fund

Revenues

Grants and State categorical funds account for approximately \$3.8 million in the special education fund budget. The actual figures are not approved by the State of Michigan until after the initial budget is completed, therefore both grant revenues and expenditures were estimated in the initial budget. These line items were impacted once the final grant amounts were approved. There was an increase in revenue for reimbursement of the increased provision of supervision of special education in a local district.

Expenditures

Benefit costs increased for employees who changed to Pak A during open enrollment. The overhead transfer to General Fund increased after the board reviewed the prior year actual computation. An increase in the flow of grant funds to local districts is reflected in the increase of outgoing transfers. Administrative expenses increased due to the increase of the provision of supervision of special education in a local district. Capital outlay was increased to include a portion of the costs for the security cameras and cabling and the water filtration system at the Edtech facility.

Vocational Education Fund

Revenues

Grants and State categorical funds account for approximately \$460,000 in the vocational education fund budget. The actual figures for the grants are not approved by the State of Michigan until after the initial budget is completed, therefore both grant revenues and grant expenditures were estimated in the initial budget. These line items were impacted once final grant amounts were approved. Interest earned was increased to reflect the rise in interest rates throughout the year.

Expenditures

Benefit costs increased for employees who changed to Pak A during open enrollment. Capital outlay was increased to include the purchase of computers for the computer lab, security cameras and cabling for the Edtech facility, a water filtration system and a portion of the anticipated costs for the construction of the Animal Facility. The overhead transfer to general fund increased after the board reviewed the prior year actual computation.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**ANALYSIS OF BUDGETS: (Continued)**

Actual Results vs. Final Budget

General Fund

Revenues

Final revenues generated by the computer and technical department were less than budgeted. Some of the grant funding was deferred to the next fiscal year due to grants that cross over two fiscal years.

Expenditures

Grant fund expenditures were less than originally budgeted due to the fact that the grant crosses over two fiscal years. Money budgeted for computer and technical department resale was not spent. Additional homebound instructional services were required that were not included in the final budget.

Special Education Fund

Revenues:

There is no set timetable or method for determining the flow of Medicaid dollars for the State. The amount actually received exceeded the budgeted amount. Property tax and interest exceeded budgeted amounts. Some of the grant funding that was allocated was not expended or collected in the current year. These funds will be allocated as carryover in the 2006-2007 year.

Expenditures

Major areas where budgeted money is unspent is in contracted community work, contracted billing for Medicaid and transfers out of Medicaid. Contracts are established at the beginning of the year and based on the student needs these contracts are utilized. Medicaid is flowed out to districts based on services provided. There is no set timetable for determining the flow of Medicaid dollars. Capital outlay funds were not all expended.

Vocational Education Fund

Revenues

Property tax and interest exceeded budgeted amounts. Final revenues for Program Sales were less than budgeted. State categorical funds for section 62 exceeded budgeted amounts.

Expenditures

Money budgeted for Program resale was not spent. The animal facility project was not started before the end of the fiscal year. Many of the teaching supply accounts have balances available. Utility budgets were not totally exhausted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-05	Increases 6-30-06	Principal Payments 6-30-06	Principal Balance 6-30-06
Bonds Payable	\$1,476,603	\$0	\$230,427	\$1,246,176
Sick & Severance Pay	522,716	6,258	0	528,974
<u>Total Long-Term Obligations</u>	<u>\$1,999,319</u>	<u>\$6,258</u>	<u>\$230,427</u>	<u>\$1,775,150</u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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**CAPITAL ASSET AND DEBT ADMINISTRATION: (Continued)**

**B. Capital Assets**

The district's net investment in capital assets increased by \$10,314 during the fiscal year. This can be summarized as follows:

	Balance 7-1-05	Additions	Deductions	Balance 6-30-06
Capital Assets	\$10,313,017	\$338,786	\$0	\$10,651,803
Less: Accumulated Depreciation	(3,423,476)	(328,472)	0	(3,751,948)
<u>Net Investment Capital Outlay</u>	<u>\$6,889,541</u>	<u>\$10,314</u>	<u>\$0</u>	<u>\$6,899,855</u>

Significant capital asset additions included the replacement of a portion of the roof at the Edtech facility, an air-handling unit in the head-end room, computers in the lab, security cameras and cabling for the security system and a water filtration system.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

\* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a 2.1% increase in Section 81 for the 06-07 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the percentage increase is known.

\* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to increase to 17.74% in 06-07 from 16.34% in 05-06.

\* The Lapeer County Intermediate School District 2006/2007 adopted budget is as follows:

	General	Special	Vocational	Total
<u>REVENUE</u>	\$2,902,434	\$6,359,687	\$5,292,077	\$14,554,198
<u>EXPENDITURES</u>	<u>3,094,127</u>	<u>6,197,889</u>	<u>5,375,407</u>	<u>14,667,423</u>
<u>NET OVER (UNDER) BUDGET</u>	<u>(\$191,693)</u>	<u>\$161,798</u>	<u>(\$83,330)</u>	<u>(\$113,225)</u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Lapeer Intermediate School District.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$468,940
Investments	6,258,627
Accounts Receivable	6,892
Interest Receivable	25,090
Taxes Receivable	7,866
Due from Other Governmental Units	1,158,472
Inventory	9,603
Prepaid Expenses	18,391
	<hr/>
Total Current Assets	\$7,953,881
<u>NON-CURRENT ASSETS</u>	
Capital Assets	10,651,803
Less: Accumulated Depreciation	(3,751,948)
Total Noncurrent Assets	<hr/> \$6,899,855 <hr/>
<u>TOTAL ASSETS</u>	\$14,853,736
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	250,047
Salaries Payable	446,990
Accrued Expenses	113,278
Deferred Revenue	72,201
Current Portion of Long-Term Obligations	231,869
Total Current Liabilities	<hr/> \$1,114,385
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<hr/> 1,543,281 <hr/>
<u>TOTAL LIABILITIES</u>	\$2,657,666
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	5,653,679
Restricted for:	
Debt Service	150,735
Unrestricted	6,391,656
	<hr/>
<u>TOTAL NET ASSETS</u>	<hr/> \$12,196,070 <hr/>

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$4,362,105	\$0	\$3,767,732	(\$594,373)
Support Services	8,903,583	641,041	1,272,226	(6,990,316)
Community Services	264,913	116,142	132,705	(16,066)
Interest - Long-Term Obligations	63,683	0	0	(63,683)
Depreciation - Unallocated	203,273	0	0	(203,273)
<u>TOTALS</u>	<u>\$13,797,557</u>	<u>\$757,183</u>	<u>\$5,172,663</u>	<u>(\$7,867,711)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				7,286,579
State Aid				895,285
Grants and Contributions Not Restricted to				
Specific Programs				95,325
Investment Earnings				208,011
Miscellaneous				149,538
Total General Revenues and Transfers				<u>\$8,634,738</u>
Change in Net Assets				\$767,027
Net Assets - Beginning				<u>11,429,043</u>
<u>Net Assets - Ending</u>				<u>\$12,196,070</u>

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2006

	General Fund	Special Education Fund	Vocational Education Fund
<u>ASSETS</u>			
Cash and Cash Equivalents	\$98,986	\$134,111	\$24,937
Investments	451,558	2,660,364	3,119,465
Accounts Receivable	5,389	310	1,193
Interest Receivable	1,818	10,734	11,899
Taxes Receivable	397	2,173	5,030
Due from Other Governmental Units	321,433	744,485	91,798
Due from Other Funds	522,490	0	50
Inventory	0	0	9,603
Prepaid Expenses	0	0	0
<u>TOTAL ASSETS</u>	<u>\$1,402,071</u>	<u>\$3,552,177</u>	<u>\$3,263,975</u>
<u>LIABILITIES</u>			
Accounts Payable	\$16,011	\$213,894	\$7,435
Due to Other Funds	50	162,490	360,000
Salaries Payable	10,436	223,842	212,712
Accrued Expenses	2,231	53,675	50,514
Deferred Revenue	62,821	325	1,555
Total Liabilities	\$91,549	\$654,226	\$632,216
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	0	9,603
Debt Retirement	0	0	0
Unreserved:			
Undesignated, Reported In:			
General Fund	1,310,522	0	0
Special Education Fund	0	2,897,951	0
Vocational Education Fund	0	0	2,622,156
Cooperative Education Fund	0	0	0
Total Fund Balances	\$1,310,522	\$2,897,951	\$2,631,759
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$1,402,071</u>	<u>\$3,552,177</u>	<u>\$3,263,975</u>

See accompanying notes to the basic financial statements.



LAPEER INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2006

Other Governmental Funds	Total Governmental Funds	Total Governmental Fund Balances:	\$7,078,223
		Amounts reported for governmental activities in the statement of net assets are different because:	
\$210,906	\$468,940		
27,240	6,258,627	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$10,651,803 and the accumulated depreciation is \$3,751,948	6,899,855
0	6,892		
639	25,090		
266	7,866		
756	1,158,472		
0	522,540	Accrued Interest on Long-Term Debt	(6,858)
0	9,603		
18,391	18,391	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
<u>\$258,198</u>	<u>\$8,476,421</u>		
		Bonds Payable	\$1,246,176
\$12,707	\$250,047	Compensated Absences Payable	<u>528,974</u>
0	522,540	Total Long-Term Liabilities	<u>(1,775,150)</u>
0	446,990		
0	106,420	<u>TOTAL NET ASSETS -</u>	
7,500	72,201	<u>GOVERNMENTAL ACTIVITIES</u>	<u>\$12,196,070</u>
<u>\$20,207</u>	<u>\$1,398,198</u>		
0	9,603		
150,735	150,735		
0	1,310,522		
0	2,897,951		
0	2,622,156		
87,256	87,256		
<u>\$237,991</u>	<u>\$7,078,223</u>		
<u>\$258,198</u>	<u>\$8,476,421</u>		

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	General	Special	Vocational
	Fund	Education	Education
	Fund	Fund	Fund
<u>REVENUES</u>			
Local Sources	\$993,619	\$2,542,959	\$4,837,063
State Sources	1,125,059	661,499	258,007
Federal Sources	199,695	3,129,911	208,521
Total Revenues	\$2,318,373	\$6,334,369	\$5,303,591
<u>EXPENDITURES</u>			
Current:			
Instruction	136,489	1,536,681	2,636,254
Student Services	42,557	1,567,849	513,168
Instructional Support	366,717	65,200	191,117
General Administration	319,906	677,492	4,425
School Administration	90,922	191,156	399,461
Business Administration	474,259	106	528
Operation & Maintenance of Plant	171,974	129,322	649,257
Transportation	0	12,214	0
Support Services - Other	1,066,578	46,393	29,144
Community Services	119,209	122,084	23,620
Debt Service	0	0	0
Cooperative Education	0	0	0
Total Expenditures	\$2,788,611	\$4,348,497	\$4,446,974
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$470,238)	\$1,985,872	\$856,617
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	522,490	(162,490)	(360,000)
Other Transfers	(93,417)	(1,240,222)	(424,851)
Total Other Financing Sources (Uses)	\$429,073	(\$1,402,712)	(\$784,851)
Net Change in Fund Balance	(\$41,165)	\$583,160	\$71,766
<u>FUND BALANCE - BEGINNING</u>	1,351,687	2,314,791	2,559,993
<u>FUND BALANCE - ENDING</u>	\$1,310,522	\$2,897,951	\$2,631,759

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

		Total net change in fund balances - governmental funds	\$530,835
Other	Total		
Governmental	Governmental	Amounts reported for governmental activities in the statement of	
Funds	Funds	activities are different because:	
\$313,633	\$8,687,274		
44,144	2,088,709	Governmental funds report capital outlays as expenditures. However,	
0	3,538,127	in the statement of activities, the cost of those assets is allocated	
\$357,777	\$14,314,110	over their estimated useful lives as depreciation expense. This is	
		the amount by which capital outlay exceeded depreciation in the	
		current period.	10,314
0	4,309,424	Repayment of bond principal is an expenditure in the governmental	
0	2,123,574	funds, but the repayment reduces long-term liabilities in the statement	
0	623,034	of net assets. This is the amount of repayments reported as	
0	1,001,823	expenditures in the governmental funds.	230,427
0	681,539		
0	474,893	Change in accrued interest on long-term liabilities	1,709
0	950,553		
0	12,214	(Increase) in accrued compensated absences	(6,258)
0	1,142,115		
0	264,913	<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$767,027</u>
295,819	295,819		
141,641	141,641		
\$437,460	\$12,021,542		
(\$79,683)	\$2,292,568		
0	0		
(3,243)	(1,761,733)		
(\$3,243)	(\$1,761,733)		
(\$82,926)	\$530,835		
320,917	6,547,388		
\$237,991	\$7,078,223		

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2006

		Trust & Agency
<u>ASSETS</u>		
Cash and Cash Equivalents		\$59,492
<u>TOTAL ASSETS</u>		<u>\$59,492</u>
<u>LIABILITIES</u>		
Due to Student Groups		\$59,492
<u>TOTAL LIABILITIES</u>		<u>\$59,492</u>

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$1,082,134	\$1,095,128	\$993,619	(\$101,509)
State Sources	1,150,281	1,169,559	1,125,059	(44,500)
Federal Sources	313,424	208,066	199,695	(8,371)
Total Revenues	<u>\$2,545,839</u>	<u>\$2,472,753</u>	<u>\$2,318,373</u>	<u>(\$154,380)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	148,748	121,867	136,489	(14,622)
Student Services	21,413	53,674	42,557	11,117
Instructional Support	484,636	414,336	366,717	47,619
General Administration	622,105	331,622	319,906	11,716
School Administration	111,265	94,753	90,922	3,831
Business Admin & Oper & Maintenance	692,155	670,655	646,233	24,422
Support Services - Other	961,741	1,198,650	1,066,578	132,072
Community Services	126,420	122,500	119,209	3,291
Total Expenditures	<u>\$3,168,483</u>	<u>\$3,008,057</u>	<u>\$2,788,611</u>	<u>\$219,446</u>
Excess of Revenues Over Expenditures	<u>(\$622,644)</u>	<u>(\$535,304)</u>	<u>(\$470,238)</u>	<u>\$65,066</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>221,506</u>	<u>433,097</u>	<u>429,073</u>	<u>(4,024)</u>
Net Change in Fund Balance	<u>(\$401,138)</u>	<u>(\$102,207)</u>	<u>(\$41,165)</u>	<u>\$61,042</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,351,687</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,310,522</u>	

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
SPECIAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$2,337,200	\$2,402,700	\$2,542,959	\$140,259
State Sources	663,807	661,499	661,499	0
Federal Sources	3,033,357	3,236,488	3,129,911	(106,577)
Total Revenues	<u>\$6,034,364</u>	<u>\$6,300,687</u>	<u>\$6,334,369</u>	<u>\$33,682</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	1,573,317	1,543,128	1,536,681	6,447
Student Services	1,515,399	1,614,089	1,567,849	46,240
Instructional Support	108,687	109,138	65,200	43,938
General Administration	713,979	704,502	677,492	27,010
School Administration	190,550	195,350	191,156	4,194
Business Admin & Oper & Maintenance	136,300	146,050	129,428	16,622
Transportation	10,000	11,850	12,214	(364)
Support Services - Other	40,650	49,813	46,393	3,420
Community Services	120,137	127,362	122,084	5,278
Total Expenditures	<u>\$4,409,019</u>	<u>\$4,501,282</u>	<u>\$4,348,497</u>	<u>\$152,785</u>
Excess of Revenues Over Expenditures	<u>\$1,625,345</u>	<u>\$1,799,405</u>	<u>\$1,985,872</u>	<u>\$186,467</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(1,396,766)</u>	<u>(1,435,203)</u>	<u>(1,402,712)</u>	<u>32,491</u>
Net Change in Fund Balance	<u>\$228,579</u>	<u>\$364,202</u>	<u>\$583,160</u>	<u>\$218,958</u>
<u>FUND BALANCE - BEGINNING</u>			<u>2,314,791</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$2,897,951</u>	

See accompanying notes to the basic financial statements.

LAPEER INTERMEDIATE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
VOCATIONAL EDUCATION FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$4,591,000	\$4,731,000	\$4,837,063	\$106,063
State Sources	198,240	229,465	258,007	28,542
Federal Sources	234,853	214,871	208,521	(6,350)
Total Revenues	<u>\$5,024,093</u>	<u>\$5,175,336</u>	<u>\$5,303,591</u>	<u>\$128,255</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	2,711,785	2,738,128	2,636,254	101,874
Student Services	422,850	508,100	513,168	(5,068)
Instructional Support	201,278	196,637	191,117	5,520
General Administration	4,250	4,500	4,425	75
School Administration	464,124	416,560	399,461	17,099
Business Administration	1,000	550	528	22
Operation & Maintenance of Plant	727,002	690,782	649,257	41,525
Support Services - Other	33,530	29,000	29,144	(144)
Community Services	50,000	29,434	23,620	5,814
Total Expenditures	<u>\$4,615,819</u>	<u>\$4,613,691</u>	<u>\$4,446,974</u>	<u>\$166,717</u>
Excess of Revenues Over Expenditures	<u>\$408,274</u>	<u>\$561,645</u>	<u>\$856,617</u>	<u>\$294,972</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to Other Funds	<u>(703,260)</u>	<u>(932,000)</u>	<u>(784,851)</u>	<u>147,149</u>
Net Change in Fund Balance	<u>(\$294,986)</u>	<u>(\$370,355)</u>	<u>\$71,766</u>	<u>\$442,121</u>
<u>FUND BALANCE - BEGINNING</u>			<u>2,559,993</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$2,631,759</u>	

See accompanying notes to the basic financial statements.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lapeer County Intermediate School District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Fund

The Special Revenue Fund is used to account for activities where there is a need to determine the results of operations. The Special Revenue Funds presented in this report include the Special Education Fund, Vocational Education Fund and the Cooperative Education Fund.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2006, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
Comerica Bank External Investment Pool	<u>\$6,258,627</u>	<u>0.0027</u>	AAAm	<u>100.00%</u>

1 day maturity equals 0.0027, one year equals 1.00.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$532,487 of the District's bank balance of \$982,512 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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4) DEPOSITS AND INVESTMENTS (Continued)

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$59,492	\$ 528,432
Investments	<u>6,258,627</u>
<u>TOTAL</u>	<u>\$ 6,787,059</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 59,492
Cash – District Wide	468,940
Investments – District Wide	<u>6,258,627</u>
<u>TOTAL</u>	<u>\$ 6,787,059</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2006, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 365,781
Federal Grants	665,946
Other Grant Programs & Fees	<u>126,745</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,158,472</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2006, the School District had \$5,199 of estimated claims payable in conjunction with the program.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2006.

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$9,044,903	\$298,264	\$0	\$9,343,167
Land Improvements	42,351	0	0	42,351
Equipment and Furniture	1,219,787	40,522	0	1,260,309
Vehicles	5,976	0	0	5,976
Totals at Historical Cost	\$10,313,017	\$338,786	\$0	\$10,651,803
Less: Accumulated Depreciation				
Buildings and Improvements	(2,676,116)	(247,985)	0	(2,924,101)
Land Improvements	(11,728)	(2,412)	0	(14,140)
Equipment and Furniture	(735,632)	(76,880)	0	(812,512)
Vehicles	0	(1,195)	0	(1,195)
Total Accumulated Depreciation	(\$3,423,476)	(\$328,472)	\$0	(\$3,751,948)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$6,889,541</u>	<u>\$10,314</u>	<u>\$0</u>	<u>\$6,899,855</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 52,681
Support Services	72,518
Unallocated	<u>203,273</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 328,472</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2006 were \$35,492 and the School District received a dividend refund of \$27,331.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

11) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Lapeer County Intermediate School District issued Durant Resolution Bonds on November 24, 1998 in the amount of \$628,619.00 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2006 was \$371,176. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

B) 2000 School Building and Site Bonds

The School District issued Building and Site Bonds dated September 20, 2000 for improvements to be made at the Vocational Technical Center. These general obligation tax bonds require nine annual principal payments beginning May 1, 2002, and semi-annual interest payments at rates ranging from 4.5% to 5.125%. The balance at June 30, 2006 was \$875,000.

C) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2006 are as follows:

	BONDS		
	PAYABLE	INTEREST	TOTAL
June 30, 2007	\$231,869	\$53,417	\$285,286
June 30, 2008	258,394	42,700	301,094
June 30, 2009	259,985	30,536	290,521
June 30, 2010	375,179	68,934	444,113
June 30, 2011	38,394	5,749	44,143
June 30, 2012-2013	82,355	5,927	88,282
<u>TOTAL</u>	<u>\$1,246,176</u>	<u>\$207,263</u>	<u>\$1,453,439</u>

The payment dates of sick days payable is undeterminable.

The interest expenditures on long-term obligations for the year were \$65,117.

E) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	JULY 1, 2005	ADDITIONS	DEDUCTIONS	JUNE 30, 2006	IN ONE YEAR
Bonds Payable	\$1,476,603	\$0	\$230,427	\$1,246,176	\$231,869
Sick & Severance Pay	522,716	6,258	0	528,974	0
<u>Total Governmental Activities</u>	<u>\$1,999,319</u>	<u>\$6,258</u>	<u>\$230,427</u>	<u>\$1,775,150</u>	<u>\$231,869</u>



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

12) OPERATING LEASES

The District entered into a operating lease with Toshiba Business Solutions for copiers on September 24, 2002. The lease payment is \$1,545 per month for a period of sixty months. Expense for the fiscal year ended June 30, 2006 was \$18,540.

Future minimum payments for the operating leases is as follows:

June 30, 2007	\$ 18,545
June 30, 2008	<u>6,182</u>
<u>TOTALS</u>	<u>\$ 24,727</u>

13) INTERFUND BALANCES

Interfund balances at June 30, 2006 consisted of the following:

DUE TO			
DUE FROM	GENERAL	VOCATIONAL	
	FUND	ED FUND	TOTAL
General Fund	\$0	\$50	\$50
Special Education Fund	162,490	0	162,490
Vocational Education Fund	<u>360,000</u>	<u>0</u>	<u>360,000</u>
<u>TOTAL</u>	<u>\$522,490</u>	<u>\$50</u>	<u>\$522,540</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

TRANSFERS TO	
TRANSFERS FROM	GENERAL
	FUND
Special Education Fund	\$162,490
Vocational Education	<u>360,000</u>
<u>TOTAL</u>	<u>\$522,490</u>

The transfers are reimbursements to the general fund from special education and vocational education funds for overhead costs that are calculated annually and approved by the board.

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2006, 2005 and 2004 were \$1,037,537, \$894,203 and \$771,315, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is the Special Education Cluster. This program is subject to program compliance audits. The audit of this program for and including the year ended June 30, 2006, has been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

OTHER SUPPLEMENTAL  
INFORMATION

LAPEER INTERMEDIATE SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2006

	Debt Service Fund	Cooperative Education Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$149,934	\$60,972	\$210,906
Investments	0	27,240	27,240
Interest Receivable	535	104	639
Taxes Receivable	266	0	266
Due From Other Governmental Units	0	756	756
Prepaid Expenses	0	18,391	18,391
<u>TOTAL ASSETS</u>	<u>\$150,735</u>	<u>\$107,463</u>	<u>\$258,198</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$12,707	\$12,707
Deferred Revenue	0	7,500	7,500
Total Liabilities	\$0	\$20,207	\$20,207
<u>FUND BALANCES</u>			
Reserved For:			
Debt Retirement	150,735	0	150,735
Unreserved	0	87,256	87,256
Total Fund Balances	<u>\$150,735</u>	<u>\$87,256</u>	<u>\$237,991</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$150,735</u>	<u>\$107,463</u>	<u>\$258,198</u>

LAPEER INTERMEDIATE SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Debt Service Fund	Cooperative Education Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$257,310	\$56,323	\$313,633
State Sources	44,144	0	44,144
Total Revenues	\$301,454	\$56,323	\$357,777
<u>OTHER FINANCING SOURCES (USES)</u>	0	(3,243)	(3,243)
Total Revenues & Other Financing Sources	\$301,454	\$53,080	\$354,534
<u>EXPENDITURES</u>			
Debt Service	295,819	0	295,819
Cooperative Education	0	141,641	141,641
Total Expenditures	\$295,819	\$141,641	\$437,460
Net Change in Fund Balance	\$5,635	(\$88,561)	(\$82,926)
<u>NET ASSETS - BEGINNING</u>	145,100	175,817	320,917
<u>NET ASSETS - ENDING</u>	\$150,735	\$87,256	\$237,991

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
DEBT RETIREMENT FUND  
COMBINED BALANCE SHEET  
AS OF JUNE 30, 2006

	DURANT	2000 SCH BOND	TOTAL
	DEBT	DEBT	
<u>ASSETS</u>			
Cash and Cash Equivalents	\$0	\$149,934	\$149,934
Interest Receivable	0	535	535
Taxes Receivable	0	266	266
<u>TOTAL ASSETS</u>	<u>\$0</u>	<u>\$150,735</u>	<u>\$150,735</u>
<u>FUND EQUITY</u>			
Reserved - Debt Retirement	<u>\$0</u>	<u>\$150,735</u>	<u>\$150,735</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
DEBT RETIREMENT FUND  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2006

	DURANT DEBT	2000 SCH BOND DEBT	TOTAL
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	\$0	\$250,569	\$250,569
Earnings on Investments and Deposit	0	6,741	6,741
Total Local Sources	<u>\$0</u>	<u>\$257,310</u>	<u>\$257,310</u>
<u>State Sources</u>	<u>44,144</u>	<u>0</u>	<u>44,144</u>
Total Revenues	<u>\$44,144</u>	<u>\$257,310</u>	<u>\$301,454</u>
<u>EXPENDITURES</u>			
Redemption of Bond Principal	30,427	200,000	230,427
Interest on Bonded Debt	13,717	51,400	65,117
Dues and Fees	0	275	275
Total Expenditures	<u>\$44,144</u>	<u>\$251,675</u>	<u>\$295,819</u>
<u>EXCESS REVENUES OVER (UNDER)</u> <u>EXPENDITURES</u>	<u>\$0</u>	<u>\$5,635</u>	<u>\$5,635</u>
<u>FUND BALANCE - BEGINNING</u> <u>OF YEAR</u>	<u>\$0</u>	<u>\$145,100</u>	<u>\$145,100</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$150,735</u>	<u>\$150,735</u>

INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$360,000	\$366,625	\$6,625
Interest on Investments	19,000	28,915	9,915
Community Revenue	104,909	116,142	11,233
Rentals	38,000	42,460	4,460
Marketing Revenue	2,000	2,065	65
Inservice Revenue	9,000	5,799	(3,201)
Courier Revenue	13,000	10,757	(2,243)
Computer Service	200,000	57,437	(142,563)
Tech Special Services	70,000	97,147	27,147
Support Business Service	75,010	72,997	(2,013)
Other Business Revenue	86,000	87,509	1,509
Assessment Center Revenue	18,350	4,383	(13,967)
LEA General Education	93,609	95,325	1,716
Other Local Revenues	6,250	6,058	(192)
Total Revenues from Local Sources	\$1,095,128	\$993,619	(\$101,509)
<u>State Sources</u>			
State Aid - Sec. 81	832,423	832,423	0
Other State Aid	105,663	104,986	(677)
Great Parents Sec 32j	60,236	48,313	(11,923)
Math/Science - Sec. 99	108,375	76,475	(31,900)
Durant	62,862	62,862	0
Total Revenues from State Sources	\$1,169,559	\$1,125,059	(\$44,500)
<u>Federal Sources</u>			
WIA Family Literacy	153,300	151,850	(1,450)
Title V	535	535	0
Other Federal Grants	23,278	21,942	(1,336)
Serve MI Grant	30,953	25,368	(5,585)
Total Revenues from Federal Sources	\$208,066	\$199,695	(\$8,371)
Total Revenues	\$2,472,753	\$2,318,373	(\$154,380)
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Funds	530,000	522,490	(7,510)
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$3,002,753</u>	<u>\$2,840,863</u>	<u>(\$161,890)</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
Salaries - Professional	\$81,382	\$92,502	(\$11,120)
Fica, Retirement, Etc.	21,156	20,939	217
Purchased Services	9,000	10,907	(1,907)
Supplies and Materials	9,829	11,928	(2,099)
Other	500	213	287
Total Instruction	\$121,867	\$136,489	(\$14,622)
<u>SUPPORT SERVICES</u>			
<u>Pupil Services</u>			
Purchased Services	39,314	34,060	5,254
Supplies and Materials	14,360	8,497	5,863
Total Pupil Services	\$53,674	\$42,557	\$11,117
<u>Instructional Staff</u>			
Salaries - Professional	160,101	159,467	634
Salaries - Non-Professional	29,000	27,845	1,155
Insurances	45,210	43,037	2,173
Fica, Retirement, Etc.	44,929	43,998	931
Purchased Services	83,504	56,177	27,327
Supplies and Materials	50,292	33,694	16,598
Capital Outlay	1,000	730	270
Other	300	1,769	(1,469)
Total Instructional Staff	\$414,336	\$366,717	\$47,619
<u>General Administration</u>			
Salaries - Professional	119,000	118,780	220
Salaries - Non-Professional	51,500	51,148	352
Insurances	31,900	31,175	725
Fica, Retirement, Etc.	39,800	39,287	513
Other Benefits	760	758	2
Purchased Services	65,062	59,161	5,901
Supplies and Materials	11,900	8,669	3,231
Capital Outlay	500	362	138
Other	11,200	10,566	634
Total General Administration	\$331,622	\$319,906	\$11,716
<u>School Administration</u>			
Salaries - Professional	24,000	25,249	(1,249)
Salaries - Non-Professional	37,423	34,500	2,923
Insurances	9,600	9,821	(221)
Fica, Retirement, Etc.	14,780	14,135	645
Purchased Services	6,600	5,945	655
Supplies and Materials	1,950	903	1,047
Other	400	369	31
Total School Administration	\$94,753	\$90,922	\$3,831

## LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT

## GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>Business Administration</u>			
Salaries - Professional	\$205,900	\$204,504	\$1,396
Salaries - Non-Professional	97,000	96,185	815
Insurances	91,310	91,258	52
Fica, Retirement, Etc.	71,700	70,601	1,099
Purchased Services	6,835	3,475	3,360
Supplies and Materials	8,400	7,282	1,118
Other	1,900	954	946
Total Business Administration	\$483,045	\$474,259	\$8,786
<u>Operation and Maintenance</u>			
Salaries - Professional	54,950	54,946	4
Salaries - Non-Professional	24,130	24,597	(467)
Insurances	7,000	6,962	38
Fica, Retirement, Etc.	20,950	18,469	2,481
Other Benefits	1,300	1,299	1
Purchased Services	32,600	24,463	8,137
Supplies and Materials	40,350	37,296	3,054
Capital Outlay	6,000	3,942	2,058
Other	330	0	330
Total Operation and Maintenance	\$187,610	\$171,974	\$15,636
<u>Other Support Services</u>			
Salaries - Professional	382,005	381,895	110
Salaries - Non-Professional	260,930	256,357	4,573
Insurances	136,350	136,259	91
Fica, Retirement, Etc.	153,350	150,080	3,270
Other Benefits	1,850	1,841	9
Purchased Services	58,085	47,630	10,455
Supplies and Materials	201,330	88,200	113,130
Capital Outlay	3,100	3,451	(351)
Other	1,650	865	785
Total Other Support Services	\$1,198,650	\$1,066,578	\$132,072
Total Support Services	\$2,763,690	\$2,532,913	\$230,777

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICTGENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	\$68,000	\$67,645	\$355
Salaries - Non-Professional	8,000	8,369	(369)
Fica, Retirement, Etc.	19,300	19,375	(75)
Purchased Services	10,700	7,230	3,470
Supplies and Materials	15,400	15,546	(146)
Capital Outlay	1,100	1,044	56
Total Community Services	<u>\$122,500</u>	<u>\$119,209</u>	<u>\$3,291</u>
 Total Expenditures	 \$3,008,057	 \$2,788,611	 \$219,446
 <u>OTHER FINANCING USES</u>			
Transfers to Other Governmental Units	90,103	86,953	3,150
Chargebacks - Property Tax	1,800	913	887
Other Transfers	5,000	5,551	(551)
Total Other Financing Uses	<u>\$96,903</u>	<u>\$93,417</u>	<u>\$3,486</u>
 <u>TOTAL EXPENDITURES AND OTHER</u> <u>FINANCING USES</u>	 <u>\$3,104,960</u>	 <u>\$2,882,028</u>	 <u>\$222,932</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SPECIAL EDUCATION FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$1,970,000	\$2,011,762	\$41,762
Earnings on Investments and Deposits	55,000	86,270	31,270
Medicaid	375,000	441,112	66,112
Inservice Revenue	1,000	1,525	525
Other Local Revenues	1,700	2,290	590
Total Revenues from Local Sources	\$2,402,700	\$2,542,959	\$140,259
<u>State Sources</u>			
Special Education	639,712	639,712	0
Other State Grants	21,787	21,787	0
Total Revenues from State Sources	\$661,499	\$661,499	\$0
<u>Federal Sources</u>			
I.D.E.A. Flowthrough	2,788,407	2,696,376	(92,031)
I.D.E.A. Preschool Incentive	109,084	109,084	0
State Initiated Grants	50,000	50,000	0
Transition Services	70,000	66,117	(3,883)
Other Federal Grants	10,000	7,320	(2,680)
Medicaid Administrative Outreach	70,000	67,769	(2,231)
Infant Toddler Grant	138,997	133,245	(5,752)
Total Revenues from Federal Sources	\$3,236,488	\$3,129,911	(\$106,577)
Total Revenues	\$6,300,687	\$6,334,369	\$33,682
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Districts	259,000	250,474	(8,526)
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$6,559,687</u>	<u>\$6,584,843</u>	<u>\$25,156</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SPECIAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Added Needs</u>			
Salaries - Professional	\$550,120	\$559,265	(\$9,145)
Salaries - Non-Professional	390,285	384,056	6,229
Insurances	233,338	232,270	1,068
Fica, Retirement, Etc.	226,540	224,300	2,240
Other Benefits	9,580	8,878	702
Purchased Services	101,650	105,465	(3,815)
Supplies and Materials	17,050	13,027	4,023
Capital Outlay	13,935	9,259	4,676
Other	630	161	469
Total Instruction	<u>\$1,543,128</u>	<u>\$1,536,681</u>	<u>\$6,447</u>
<u>SUPPORT SERVICES</u>			
<u>Pupil Services</u>			
Salaries - Professional	942,107	949,751	(7,644)
Salaries - Non-Professional	44,419	42,276	2,143
Insurances	192,862	192,034	828
Fica, Retirement, Etc.	235,067	235,569	(502)
Other Benefits	5,074	3,681	1,393
Purchased Services	115,970	98,395	17,575
Supplies and Materials	46,595	26,746	19,849
Capital Outlay	30,700	19,322	11,378
Other	1,295	75	1,220
Total Pupil Services	<u>\$1,614,089</u>	<u>\$1,567,849</u>	<u>\$46,240</u>
<u>Instructional Staff</u>			
Salaries - Non-Professional	5,787	4,732	1,055
Fica, Retirement, Etc.	628	791	(163)
Purchased Services	68,600	37,945	30,655
Supplies and Materials	34,123	21,732	12,391
Total Instructional Staff	<u>\$109,138</u>	<u>\$65,200</u>	<u>\$43,938</u>
<u>General Administration</u>			
Salaries - Professional	242,500	242,460	40
Salaries - Non-Professional	173,170	171,642	1,528
Insurance	72,100	71,607	493
Fica, Retirement, Etc.	98,100	98,611	(511)
Other Benefits	3,502	3,248	254
Purchased Services	86,100	72,247	13,853
Supplies and Materials	19,230	11,560	7,670
Capital Outlay	5,000	1,943	3,057
Other	4,800	4,174	626
Total Instructional Staff	<u>\$704,502</u>	<u>\$677,492</u>	<u>\$27,010</u>
<u>School Administration</u>			
Salaries - Professional	82,500	82,474	26
Salaries - Non-Professional	34,250	34,245	5
Insurances	30,600	30,419	181
Fica, Retirement, Etc.	27,650	27,648	2
Purchased Services	10,750	10,025	725
Supplies and Materials	3,650	2,809	841
Capital Outlay	5,000	2,733	2,267
Other	950	803	147
Total School Administration	<u>\$195,350</u>	<u>\$191,156</u>	<u>\$4,194</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SPECIAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES (Continued)</u>			
<u>Business Administration</u>			
Purchased Services	\$150	\$106	\$44
<u>Operation and Maintenance</u>			
Salaries - Non-Professional	48,000	50,273	(2,273)
Insurances	16,600	16,418	182
Fica, Retirement, Etc.	15,600	11,956	3,644
Purchased Services	21,200	12,373	8,827
Supplies and Materials	41,500	36,832	4,668
Capital Outlay	3,000	1,470	1,530
Total Operation and Maintenance	<u>\$145,900</u>	<u>\$129,322</u>	<u>\$16,578</u>
<u>Transportation</u>			
Purchased Services	11,850	12,214	(364)
<u>Other Support Services</u>			
Salaries - Professional	31,942	31,942	0
Insurances	6,208	6,208	0
Fica, Retirement, Etc.	7,663	7,663	0
Purchased Services	3,000	0	3,000
Supplies and Materials	1,000	580	420
Total Other Support Services	<u>\$49,813</u>	<u>\$46,393</u>	<u>\$3,420</u>
<u>Total Support Services</u>	<u>\$2,830,792</u>	<u>\$2,689,732</u>	<u>\$141,060</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	4,090	3,240	850
Fica, Retirement, Etc.	942	737	205
Purchased Services	116,031	112,988	3,043
Supplies and Materials	6,299	5,119	1,180
<u>Total Community Services</u>	<u>\$127,362</u>	<u>\$122,084</u>	<u>\$5,278</u>
<u>Total Expenditures</u>	<u>\$4,501,282</u>	<u>\$4,348,497</u>	<u>\$152,785</u>
<u>OTHER FINANCING USES</u>			
Transfer to Other Governmental Units	1,491,703	1,472,164	19,539
Transfers to Other Funds	170,000	162,490	7,510
Chargebacks - Property Taxes	2,500	4,061	(1,561)
Other Transfers	30,000	14,471	15,529
<u>Total Other Financing Uses</u>	<u>\$1,694,203</u>	<u>\$1,653,186</u>	<u>\$41,017</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$6,195,485</u>	<u>\$6,001,683</u>	<u>\$193,802</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$4,531,000	\$4,657,623	\$126,623
Earnings on Investments and Deposits	62,000	83,647	21,647
Assessment Revenue	0	1,099	1,099
Program Sales	118,500	69,606	(48,894)
Rentals	9,500	10,780	1,280
Other Local Revenues	10,000	14,308	4,308
Total Revenues from Local Sources	<u>\$4,731,000</u>	<u>\$4,837,063</u>	<u>\$106,063</u>
<u>State Sources</u>			
State Aid - Added Cost - Sec. 61a.1	213,604	213,604	0
State Aid - Voc. Ed Millage Equalization Sec. 62	15,861	44,403	28,542
Total Revenues from State Sources	<u>\$229,465</u>	<u>\$258,007</u>	<u>\$28,542</u>
<u>Federal Sources</u>			
Workforce Investment Act	29,434	23,621	(5,813)
Tech Prep Program	33,493	28,634	(4,859)
Safe and Drug Free Schools	1,800	1,800	0
Other Grants	2,825	7,147	4,322
Perkins Grant	147,319	147,319	0
Total Revenues from Federal Sources	<u>\$214,871</u>	<u>\$208,521</u>	<u>(\$6,350)</u>
<u>TOTAL REVENUES</u>	<u>\$5,175,336</u>	<u>\$5,303,591</u>	<u>\$128,255</u>



LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
<u>Added Needs</u>			
Salaries - Professional	\$1,094,120	\$1,091,915	\$2,205
Salaries - Non-Professional	369,350	350,615	18,735
Insurances	302,520	300,013	2,507
Fica, Retirement, Etc.	349,500	340,163	9,337
Other Benefits	1,750	1,732	18
Purchased Services	153,955	137,856	16,099
Supplies and Materials	275,375	221,577	53,798
Capital Outlay	185,208	182,087	3,121
Other	6,350	10,296	(3,946)
<u>Total Instruction</u>	<u>\$2,738,128</u>	<u>\$2,636,254</u>	<u>\$101,874</u>
<u>SUPPORT SERVICES</u>			
<u>Pupil Services</u>			
Salaries - Professional	297,900	304,662	(6,762)
Salaries - Non-Professional	36,550	33,817	2,733
Insurance	51,800	51,369	431
Fica, Retirement, Etc.	79,600	80,393	(793)
Other Benefits	1,300	541	759
Purchased Services	32,300	36,723	(4,423)
Supplies and Materials	6,950	4,201	2,749
Capital Outlay	1,500	1,458	42
Other	200	4	196
Total Pupil Services	<u>\$508,100</u>	<u>\$513,168</u>	<u>(\$5,068)</u>
<u>Instructional Staff</u>			
Salaries - Professional	7,000	7,965	(965)
Salaries - Non-Professional	76,610	76,349	261
Insurances	53,611	53,611	0
Fica, Retirement, Etc.	19,998	20,193	(195)
Purchased Services	32,918	27,774	5,144
Supplies and Materials	6,300	5,025	1,275
Other	200	200	0
Total Instructional Staff	<u>\$196,637</u>	<u>\$191,117</u>	<u>\$5,520</u>
<u>General Administration</u>			
Purchased Services	4,500	4,425	75

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE
<u>SUPPORT SERVICES</u> (Continued)			
<u>School Administration</u>			
Salaries - Professional	\$156,210	\$148,030	\$8,180
Salaries - Non-Professional	108,400	107,175	1,225
Insurances	46,300	47,226	(926)
Fica, Retirement, Etc.	64,000	60,155	3,845
Other Benefits	1,300	1,299	1
Purchased Services	22,500	20,892	1,608
Supplies and Materials	10,850	9,288	1,562
Capital Outlay	1,800	1,369	431
Other	5,200	4,027	1,173
Total School Administration	\$416,560	\$399,461	\$17,099
<u>Business Administration</u>			
Purchased Services	550	528	22
<u>Operation and Maintenance of Plant</u>			
Salaries - Non-Professional	200,730	197,414	3,316
Insurances	66,500	64,980	1,520
Fica, Retirement, Etc.	49,802	47,641	2,161
Purchased Services	106,500	99,588	6,912
Supplies and Materials	222,700	196,526	26,174
Capital Outlay	42,000	40,779	1,221
Other	2,550	2,329	221
Total Operation and Maintenance of Plant	\$690,782	\$649,257	\$41,525
<u>Other Support Services</u>			
Salaries - Non-Professional	17,500	17,504	(4)
Insurances	5,400	5,389	11
Fica, Retirement, Etc.	4,250	4,142	108
Purchased Services	0	500	(500)
Supplies and Materials	1,850	1,609	241
Total Other Support Services	\$29,000	\$29,144	(\$144)
<u>Total Support Services</u>	\$1,846,129	\$1,787,100	\$59,029

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
VOCATIONAL EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	\$10,912	\$9,381	\$1,531
Fica, Retirement, Etc.	2,612	2,244	368
Purchased Services	2,100	3,646	(1,546)
Supplies and Materials	13,810	8,349	5,461
<u>Total Community Services</u>	<u>\$29,434</u>	<u>\$23,620</u>	<u>\$5,814</u>
<u>Total Expenditures</u>	<u>\$4,613,691</u>	<u>\$4,446,974</u>	<u>\$166,717</u>
<u>OTHER FINANCING USES</u>			
Transfers to Other Funds	360,000	360,000	0
Other Transfers	560,000	413,297	146,703
Chargeback - Property Taxes	10,000	9,342	658
Transfers to Other Governmental Units	2,000	2,212	(212)
<u>Total Other Financing Uses</u>	<u>\$932,000</u>	<u>\$784,851</u>	<u>\$147,149</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$5,545,691</u>	<u>\$5,231,825</u>	<u>\$313,866</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
COOPERATIVE EDUCATION FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Earnings on Investments and Deposits	\$2,000	\$2,438	\$438
Other Local Revenues	<u>50,800</u>	<u>53,885</u>	<u>3,085</u>
<u>TOTAL REVENUES</u>	<u>\$52,800</u>	<u>\$56,323</u>	<u>\$3,523</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
COOPERATIVE EDUCATION FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES</u>			
<u>Operation and Maintenance</u>			
Purchased Services	\$44,500	\$41,882	\$2,618
Supplies and Materials	5,400	4,079	1,321
Capital Outlay	97,300	95,680	1,620
Other	500	0	500
Total Operation and Maintenance	<u>\$147,700</u>	<u>\$141,641</u>	<u>\$6,059</u>
 <u>OTHER FINANCING USES</u>			
Payments to Other Governmental Units	<u>3,300</u>	<u>3,243</u>	<u>57</u>
 <u>TOTAL EXPENDITURES AND OTHER</u> <u>FINANCING USES</u>	 <u>\$151,000</u>	 <u>\$144,884</u>	 <u>\$6,116</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2006

	Due to (From) Student Activities and Other Organization July 1, 2005	Receipts	Disbursements	Due to (From) Student Activities and Other Organization June 30, 2006
<u>Student/Other Groups</u>				
Administration	\$67	\$1,310	\$1,290	\$87
Ag. Mechanics	520	3,136	3,487	169
Auto Body Repair	250	743	871	122
Auto Mechanics	0	736	113	623
Building Trades	1,348	5,959	5,064	2,243
CAD	7,067	2,843	1,805	8,105
Computer Networking	5,129	1,071	3,303	2,897
Cosmetology	391	2	0	393
Culinary Arts - V.I.C.A. Club	4,884	4,741	6,296	3,329
D.E.C.A. Club	11,121	28,883	34,081	5,923
Early Childhood	785	1,912	1,244	1,453
Electronics	8,239	8,000	10,186	6,053
F.F.A. Alumni	2,552	2,069	596	4,025
F.F.A. Club	7,802	49,461	49,962	7,301
H.O.S.A. Club	4,044	2,943	3,588	3,399
Interactive Media	0	2,237	1,637	600
ISD	1,353	284	58	1,579
Mechanical Construction	6,069	5,415	4,179	7,305
Metal Machining	736	2,300	1,871	1,165
Public Safety	387	5,696	5,884	199
Special Education	3,001	34	513	2,522
<u>TOTALS</u>	<u>\$65,745</u>	<u>\$129,775</u>	<u>\$136,028</u>	<u>\$59,492</u>

LAPEER COUNTY INTERMEDIATE SCHOOL DISTRICT  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

1998 DURANT RESOLUTION PACKAGE BONDS

Date of Issue - November 24, 1998

Original amount of issue - \$628,619

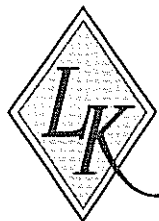
	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2007	\$31,869	4.761353%	\$12,267	\$44,136
2008	33,394	4.761353%	10,750	44,144
2009	34,985	4.761353%	9,160	44,145
2010	150,179	4.761353%	58,134	208,313
2011	38,394	4.761353%	5,749	44,143
2012	40,220	4.761353%	3,921	44,141
2013	42,135	4.761353%	2,006	44,141
<u>TOTAL</u>	<u>\$371,176</u>		<u>\$101,987</u>	<u>\$473,163</u>

2000 SCHOOL BUILDING & SITE BONDS

Date of Issue: September 20, 2000

Amount Authorized: \$1,215,000

DATE	INTEREST RATE	PRINCIPAL AMOUNT	INTEREST AMOUNT NOVEMBER 1	INTEREST AMOUNT MAY 1	TOTAL
2006-2007	4.60%	\$200,000	\$20,575	\$20,575	\$241,150
2007-2008	4.70%	225,000	15,975	15,975	256,950
2008-2009	4.75%	225,000	10,688	10,688	246,376
2009-2010	4.80%	225,000	5,400	5,400	235,800
<u>TOTALS</u>		<u>\$875,000</u>	<u>\$52,638</u>	<u>\$52,638</u>	<u>\$980,276</u>



*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

August 30, 2006

To the Board of Education of  
Lapeer Intermediate School District

In planning and performing our audit of the financial statements of Lapeer Intermediate School District for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We noted no matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Lapeer Intermediate School District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

#### CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

1968 PA 2, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2006, Lapeer Intermediate School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

#### FUTURE ISSUES

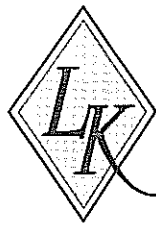
1. MDE Changes Enforcement of Budgeting Act

The Michigan Department of Education (MDE) recently notified all Michigan School Districts that it was implementing changes in its enforcement of the Uniform Budgeting and Accounting Act. From their perspective, MDE is making this policy change in an effort to elevate awareness of the importance of proper budgeting and the need for district procedures to be in place to detect budget violations. MDE has not aggressively pursued these violations in past years, but has stated their intention to change that policy retroactively to the 2004-05 fiscal year. For that year, the Department has indicated that they are only focusing on the General Fund and will only act upon *Total Expenditures* violations that exceed 1% of the Total Expenditures budget and *Total Other Financing Uses* violations that exceed 1% of the Total Other Financing Uses budget.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (overspending your budget)
- Ending the fiscal year with a deficit (negative fund balance), and





Lapeer Intermediate School District

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#### FUTURE ISSUES (Continued)

- Adopting a budget that, when implemented, would put the district in a deficit.
- The Department is also currently considering that a violation of the Act also includes the situation where the district did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved by the school board.

Amending your budget before June 30 of each year is the main way to avoid receiving a violation letter from the Department.

#### 2. GASB Statement No. 45

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Lapeer Intermediate School District, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- \* Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- \* Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- \* Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

#### 3. Cash Management of Federal Grants

The advance provisions of the Cash Management Improvement Act (CMIA) requires that advances be limited to three days cash needs. The Michigan Department of Education will no longer allow thirty day cash advances for ongoing programs.



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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended for the information of Lapeer Intermediate School District' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script that reads 'Lewis &amp; Knopf, P.C.'.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS